

IN THE CHANCERY COURT OF THE FIRST JUDICIAL DISTRICT
HINDS COUNTY, MISSISSIPPI

GEORGE DALE, COMMISSIONER
OF INSURANCE OF THE STATE OF
MISSISSIPPI

ATTEST A TRUE COPY
FILED
OCT 22 2004

PETITIONER

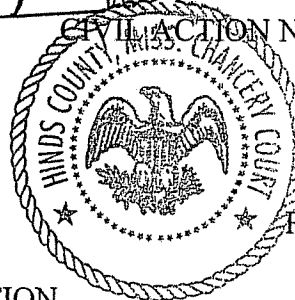
EDDIE JEAN CARR, CHANCERY CLERK

VS.

BY Umoton

CIVIL ACTION NO. G2004-1274

FAMILY HEALTH CARE PLUS, INC.
A MISSISSIPPI HEALTH MAINTENANCE
ORGANIZATION



RESPONDENT

ORDER OF LIQUIDATION

THIS CAUSE having come before the Court on the Petition of George Dale, Commissioner of Insurance for the State of Mississippi (the "Commissioner") as Rehabilitator (the "Rehabilitator") and Jimmy D. Blissett, as Deputy Rehabilitator (the "Deputy Rehabilitator") of Family Health Care Plus, Inc. (the "Company"), for the entry of an Order of Liquidation pursuant to Miss. Code Ann. §83-24-27(1), and the Court having found as follows:

1.

On July 15, 2004, this Court entered an Order of Rehabilitation concerning the Company, and among other things, appointed the Commissioner as the Rehabilitator of the Company to have and exercise the powers and responsibilities of a rehabilitator pursuant to Miss. Code Ann. § 83-24-1 *et seq.* and other applicable laws.

2.

On July 15, 2004, this Court entered an Order appointing Jimmy D. Blissett as the Deputy Rehabilitator of the Company to have and exercise the powers and responsibilities of a deputy rehabilitator pursuant to Miss. Code Ann. § 83-24-1 *et seq.* and other applicable laws.

3.

Since that date and pursuant to the Order of Rehabilitation, the Rehabilitator and Deputy Rehabilitator have exercised their authority to take possession and control of the property, books, accounts, documents, and other records and assets of the Company, and of the premises occupied by the Company for transaction of its business, and to administer them under the general supervision of this Court to permit the Rehabilitator and Deputy Rehabilitator to ascertain the condition of the Company.

4.

Subsequent to the entry of the Order of Rehabilitation, the Rehabilitator has determined that the Company is insolvent within the meaning of Miss. Code Ann. § 83-24-7(k) because the Company is unable to pay its obligations when they are due and its assets do not exceed its liabilities. The Affidavit of Cecil Harper, of Harper, Rains, Knight & Company, the certified public accountant approved by this Court to handle the financial matters of the company in rehabilitation, is attached to the Petition as Exhibit "A".

5.

The Court should, after a hearing, enter an Order of Liquidation pursuant to Miss. Code Ann. § 83-24-31(1) and § 83-24-33 because the Company is insolvent. A balance sheet has been prepared for the period ending September 30, 2004, which shows that the Company is insolvent within the meaning of Miss. Code Ann. § 83-24-7(k). A true and correct copy of the balance sheet is attached to the Petition as Exhibit "B" which shows that the Company's liabilities exceeded its assets by \$803,552.51 on September 30, 2004.

6.

The Court should enter an Order of Liquidation pursuant to Miss. Code Ann. § 83-24-31(1) and §83-24-33 because the Company is insolvent within the meaning of Miss. Code Ann. §83-24-7(k), and the continuation of the Company's rehabilitation proceedings will substantially increase the risk of loss to its enrollees, creditors, and the public, and would be futile.

7.

It is in the best interests of the enrollees and creditors of the Company and the public that the Company be placed in liquidation pursuant to Miss. Code Ann. § 83-24-31(1) and § 83-24-33. Grounds exist that justify the entry of a Final Order of Liquidation and Finding of Insolvency to permit the Rehabilitator and Deputy Rehabilitator to liquidate the Company and to take such other actions as may be necessary.

IT IS HEREBY ORDERED AND ADJUDGED:

- A. The Company is insolvent as defined by Miss. Code Ann. § 83-24-7;
- B. The Order of Rehabilitation entered on July 15, 2004, is superseded, the rehabilitation proceeding is terminated, the rehabilitation proceeding is converted to a liquidation proceeding, and the Company is to be liquidated;
- C. George Dale, Commissioner of Insurance of the State of Mississippi, and his successors in office, are appointed as the Liquidator ("Liquidator") of the Company, and he is ordered to liquidate the business and affairs of the Company and exercise the powers, duties and responsibilities of a Liquidator pursuant to Miss. Code Ann. § 83-24-1 et seq. and other applicable Mississippi laws;

D. The Rehabilitator is authorized to appoint a Deputy Liquidator and Jimmy D. Blissett, the current Deputy Rehabilitator, is appointed as Deputy Liquidator; and he is granted all powers and responsibilities of the Liquidator granted by the Order of Liquidation and all such authority as conferred by operation of law;

E. The Liquidator retains the right to terminate the Deputy Liquidator and/or substitute another person as Deputy Liquidator as he may deem necessary, and all Deputy Liquidators will serve at the pleasure of the Liquidator as provided by Miss. Code Ann. §83-24-27(1);

F. All the rights and liabilities of the Company and of the Company's creditors, policyholders, stockholders, employees and all other persons interested in the Company's estate, except as otherwise provided by Mississippi law, are fixed as of the date of entry of this Order;

G. The Liquidator and Deputy Liquidator are given possession and control and be vested with title to all of the tangible and intangible rights, property, and assets of the Company, wherever located, including but not limited to all monies, accounts, books, documents, records, contracts, rights of action, securities, brokerage accounts, policies, policy benefits due to Company, files, papers, electronic media, debentures, mortgages, furniture, fixtures, computer hardware, computer software, office supplies, motor vehicles, and all other equipment;

H. All persons and entities, including but not limited to banks, brokerage houses, agents, producers, general agents, sub-agents, contractors, reinsurers, reinsurance intermediaries, third-party administrators, underwriting managers, officers, directors, stockholders, employees, representatives, accountants, attorneys, actuaries, affiliates, parent corporations, subsidiaries, and policyholders, in possession of any tangible or intangible right, property, asset or record of the Company, shall maintain all such rights, property, asset and records in a safe and secure manner

for and on behalf of the Liquidator and are ordered to promptly deliver all such rights, property and records to the Liquidator or Deputy Liquidator upon request;

I. All persons and entities are enjoined and prohibited from:

- I. The transaction of further business of the Company without the approval of the Liquidator;
- II. Interfering with the Liquidator's, or Deputy Liquidator's duties, activities, or responsibilities, or with this proceeding;
- III. The transfer, waste, or dissipation of the bank accounts or any of the property or assets of the Company;
- IV. The obtaining of any preference, judgment, attachment, garnishment or lien against the Company or its assets, wherever located, or the levying of execution against the Company or its assets, wherever located, or the commencement, prosecution or further prosecution of any suit, action or proceeding having any such purpose or effect;
- V. The making of any sale or deed for nonpayment of taxes or assessments that would lessen the value of the assets of the Company;
- VI. The withholding from the Liquidator of the books, accounts, documents or other records relating to the business of the Company;
- VII. Any other threatened or contemplated action that might lessen the value of the Company's assets or prejudice the rights of policyholders, creditors or shareholders, or the administration of this proceeding;

J. No action at law or equity or in arbitration may be brought against the Company or Liquidator, whether in Mississippi or elsewhere. Existing actions may not be maintained or further presented or prosecuted after issuance of this Liquidation Order. All claims shall be submitted through the claims process;

K. All secured creditors or parties, pledgees, lien holders, collateral holders or other persons claiming a secured, priority or preferred interest in any property or assets of the

Company are enjoined and prohibited from taking any steps whatsoever to transfer, sell, encumber, attach, dispose of or exercise purported rights in or against any property or assets of the Company without the prior approval of the Liquidator;

L. The Company, and its officers, directors, agents, servants, employees and/or other persons acting for or on behalf of the Company are prohibited from soliciting or accepting new business;

M. The Company, its officers, directors, employees, agents, stockholders, and all other persons, including but not limited to banks, brokerage houses, agents, producers, general agents, sub-agents, contractors, reinsurers, reinsurance intermediaries, third-party administrators, underwriting managers, representatives, accountants, attorneys, actuaries, affiliates, or parent corporations, and subsidiaries, are prohibited and restrained from the further transaction of business by or on behalf of the Company, and from dealing with or disposing of the property of the Company, committing any waste or concealment of assets, without the express authorization of the Liquidator or Deputy Liquidator;

N. All general agents, agents, sub-agents and brokers of the Company, as well as any banks, brokerage houses, reinsurers, third party administrators, or other companies or persons having in their possession assets or commissions which are, or may be, the property of the Company are prohibited from disposing of or destroying the same, or disposing of or destroying any records pertaining to any business transactions between Company and its insureds, policyholders, general agents, agents, brokers, banks, brokerage houses, reinsurers, third party administrators, or other companies or persons having done business with Company, or having in their possession assets which are or were the property of Company;

O. The continuing employment of legal counsel for the Rehabilitator as counsel for the Liquidator is approved pursuant to the same terms previously approved by the Court;

P. All available constitutional, statutory and common law immunities applicable and available to the Liquidator are extended to the Deputy Liquidator, counsel for the Liquidator and Deputy Liquidator, and all other agents, and personnel of the Liquidator and Deputy Liquidator;

Q. The Liquidator and the Deputy Liquidator are authorized to employ, or continue to employ, such special deputies, agents, actuaries, accountants, appraisers, assistants, clerks, consultants and such other personnel as they deem necessary and to fix and pay the reasonable compensation and expenses of such persons out of the funds and assets of Company subject to the supervision of this Court;

R. The Liquidator and Deputy Liquidator are authorized to pay all routine administrative and operating expenses, including the compensation, fees and expenses of attorneys, accountants, agents, appraisers, and consultants, incurred in connection with the orderly liquidation of the Company and collection of the Companies assets, without prior approval of the Court, but subject to the general supervision of the Court;

S. The Liquidator and Deputy Liquidator are authorized to pay all routine administrative expenses that remain outstanding that were directly incurred and authorized by the Rehabilitator or Deputy Rehabilitator during the period of rehabilitation;

T. The Liquidator and Deputy Liquidator are authorized to take actions necessary to prevent potential preferences from occurring, including specific injunctions against appropriate parties pursuant to Miss. Code Ann. § 83-24-51 - 55, and where appropriate, to enjoin the dissipation of Company's assets already paid out as potential preferences or fraudulent

conveyances or any threatened or contemplated action that might lessen the value of Company's estate or prejudice the rights of its policyholders, creditors, or the public, or the administration of this proceeding;

U. The Liquidator and Deputy Liquidator are authorized, pursuant to Miss. Code Ann. § 83-24-51 - 55 to void fraudulent transfers and preferences;

V. Financial reports to the Court shall be made by the Liquidator within one year of the Order of Liquidation and at least annually thereafter, each such financial report to include, at a minimum, the assets and liabilities of the Company and all funds received and disbursed by the Liquidator;

W. A list of Company's assets in duplicate with one copy to be filed with this Court and the other copy to be retained by Liquidator shall be provided no later than 120 days from the entry of the Order of Liquidation;

X. The Liquidator is directed to give appropriate notice of the Order of Liquidation pursuant to Miss. Code Ann. § 83-24-43, and to require claimants to file with the Liquidator their claims on the Proof of Claim form attached to the Petition For Order of Liquidation as Exhibit "C";

Y. All Proofs of Claim must be filed with the Liquidator or forever being barred from making a claim against the Company within ninety (90) days from the date of this Order;

Z. The Liquidator and the Deputy Liquidator are granted all powers and duties enumerated in Miss. Code Ann. § 83-24-41;

AA. This Order of Liquidation shall remain in effect until the Liquidator has completed his duties or is discharged by order of this Court; and

BB. This Order of Liquidation is hereby entered as a final judgment.

ORDERED AND ADJUDGED this the 22 day of October, 2004.

Signed WILLIAM SINGLETARY

CHANCELLOR